

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

REVIEW REPORT
OF
STATE EMERGENCY MANAGEMENT AGENCY
STATE OF INDIANA

March 1, 2002 to December 31, 2004



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Mr. Patrick R. Ralston	01-13-97 to 03-31-04
	Mr. Phillip K. Roberts (Interim)	04-01-04 to 04-04-04
	Mr. Luther J. Taylor	04-05-04 to 01-03-05
	Mr. Phillip K. Roberts (Interim)	01-04-05 to 03-27-05
	Mr. J. Eric Dietz	03-28-05 to 01-11-09



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF STATE EMERGENCY MANAGEMENT AGENCY

We have reviewed the receipts, disbursements, and assets of the State Emergency Management Agency for the period of March 1, 2002, to December 31, 2004. State Emergency Management Agency's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the State Emergency Management Agency are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations, except as stated in the review comments.

STATE BOARD OF ACCOUNTS

March 22, 2005

STATE EMERGENCY MANAGEMENT AGENCY REVIEW COMMENTS

SEGREGATION OF DUTIES

The Special Disbursing Officer (SDO) advance for the State Emergency Management Agency is maintained by one individual, resulting in a lack of segregation of duties. The individual prepares and signs the checks, maintains the check registers, and reconciles the SDO advance and checking account.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

FUND RECONCILIATIONS

A monthly reconciliation of the SDO advance for the State Emergency Management Agency is performed. However, formal documentation of these reconciliations is not maintained. The master file for reconciling the advance is overwritten each month.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

ADVANCE

The SDO advance for the State Emergency Management Agency was not turned over, or reimbursed completely, in a timely manner. For the period August 15, 2003, to November 23, 2004, we calculated that the advance was not reimbursed for an average of seventy-six days and had an average monthly balance of \$14,500.

If the total SDO advance is not used within one or two months then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

STATE EMERGENCY MANAGEMENT AGENCY
REVIEW COMMENTS
(Continued)

FIXED ASSET INVENTORY

Fixed assets for the State Emergency Management Agency have not been consistently tagged upon receipt.

Assets at the minimum level of \$500 must be tagged. Assets should be tagged upon receipt. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

INTERNAL CONTROLS OVER FEDERAL GRANT

We noted the following concerning the controls over the federal draw downs for the State Domestic Preparedness Program. Funds were only drawn down from the federal government ten times during the 2003-2004 fiscal year. This resulted in the fund center maintaining a negative cash balance for the entire fiscal year. This could result in a loss of interest revenue for the State. The time elapsed between disbursement of funds to sub grantees and receipt of federal funds should be minimized.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

STATE EMERGENCY MANAGEMENT AGENCY
EXIT CONFERENCE

The contents of this report were discussed on May 2, 2005, with Mr. Phillips K. Roberts, Executive Director (Interim). The official response has been made a part of this report and may be found on page 7.



MITCHELL E. DANIELS, Jr., Governor
STATE OF INDIANA

DEPARTMENT OF HOMELAND SECURITY

J. ERIC DIETZ, EXECUTIVE DIRECTOR

May 18, 2005

Indiana Government Center South
302 West Washington Street
Indianapolis, IN 46204
317-232-3980

Mr. Charles Johnson, State Examiner
State Board of Accounts
302 W Washington Street
Indianapolis IN 46204

Dear Mr. Johnson:

In response to the audit of the State Emergency Management Agency conducted by the State Board of Accounts, I would like to offer the following comments and corrective action plan:

Segregation of Duties

We have changed our internal procedures that will provide reasonable assurances regarding the segregation of duties.

Fund Reconciliation

We are now maintaining copies of the reconciliations each month.

Advance

The amount of our advance was raised on guidance of the Department of Administration due to the adoption of the National City Travel Card. Our controller is evaluating our SDO balances and accounts to determine the correct advance amount due to the reconciliation of our agencies.

Fixed Asset Inventory

We have amended our procedures to ensure all assets will be properly tagged.

Internal Controls Over Federal Grant

Funds are now distributed to grantees based upon receipt of invoice from the grantee which allows for funds to be drawn in a timely fashion.

If you wish to discuss this further, please do not hesitate to contact me.

Sincerely,

Phillip K. Roberts
Deputy Director